SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

We have included summaries for the countries listed below, please click on the country name should you wish to navigate to it directly:

- Botswana
- Egypt
- Ghana
- Kenya
- Malawi
- Mauritius
- Nigeria
- Tanzania
- Zambia
- Zimbabwe

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	9-Sep-16	16-Sep-16	WTD % Change Local	WTD % Change USD	31-Dec-15	YTD % Change Local	YTD % Change USD
Botswana	DCI	9615.58	9635.48	0.21%	-1.02%	10602.32	-9.12%	-4.93%
Egypt	CASE 30	8188.20	7979.25	-2.55%	-2.55%	7006.01	13.89%	0.17%
Ghana	GSE Comp Index	1791.95	1784.97	-0.39%	-0.05%	1994.00	-10.48%	-13.43%
Ivory Coast	BRVM Composite	293.83	290.37	-1.18%	-1.37%	303.93	-4.46%	-1.73%
Kenya	NSE 20	3208.25	3206.12	-0.07%	-0.01%	4040.75	-20.66%	-19.85%
Malawi	Malawi All Share	13257.55	13489.92	1.75%	1.81%	14562.53	-7.37%	-16.65%
Mauritius	SEMDEX	1810.68	1795.60	-0.83%	-1.10%	1,811.07	-0.85%	1.16%
	SEM 10	345.17	341.51	-1.06%	-1.33%	346.35	-1.40%	0.61%
Namibia	Overall Index	1028.00	997.26	-2.99%	-4.78%	865.49	15.23%	24.33%
Nigeria	Nigeria All Share	27577.52	27858.48	1.02%	0.93%	28,642.25	-2.74%	-38.75%
Swaziland	All Share	368.21	368.21	0.00%	-1.85%	327.25	12.52%	21.41%
Tanzania	TSI	3905.42	3886.95	-0.47%	-0.22%	4478.13	-13.20%	-13.96%
Zambia	LUSE All Share	4396.78	4341.27	-1.26%	1.10%	5734.68	-24.30%	-16.75%
Zimbabwe	Industrial Index	98.90	99.09	0.19%	0.19%	114.85	-13.72%	-13.72%
	Mining Index	26.32	25.65	-2.55%	-2.55%	23.70	8.23%	8.23%

CURRENCIES

Currency	9-Sep-16 Close	16-Sep-16 Close	WTD % Change	YTD % Change
BWP	10.42	10.55	1.24	4.61
EGP	8.88	8.88	-0.00	-12.05
GHS	3.95	3.94	-0.34	-3.30
CFA	582.49	583.63	0.20	2.86
KES	99.56	99.50	-0.06	1.02
MWK	715.04	714.64	-0.06	-10.02
MUR	33.91	34.00	0.27	2.04
NAD	14.01	14.27	1.88	7.90
NGN	312.99	313.27	0.09	-37.02
SZL	14.01	14.27	1.88	7.90
TZS	2,140.00	2,134.56	-0.25	-0.87
ZMW	10.19	9.95	-2.34	9.97

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana has cut its 2016 economic growth estimate to 3.5 percent from an earlier projection of 4.2 percent, an official in the Finance Ministry said on Thursday. Deputy Secretary for Macroeconomic Policy in the Ministry of Finance Kelapile Ndobano said the economy is expected to grow 4.1 percent in 2017, down from an estimate of 4.3 percent presented by the finance minister in February. Ndobano said the government expects Botswana to post a budget deficit of 4.1 percent of GDP in 2017. *(Reuters)*

Botswana's consumer inflation slowed to 2.6 percent year-on-year in August from 2.7 percent in July, data from the statistics office showed on Thursday. On a month-on-month basis, prices rose 0.2 percent in August after a 0.1 percent increase the previous month, Statistics Botswana said. *(Reuters)*

Egypt

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Ghana

Corporate News

No Corporate News This Week

Economic News

Ghana will have more fiscal room to maneuver ahead of elections as a fifth Eurobond gives the nation funds to pay debt and implement projects amid spending restrictions imposed by the International Monetary Fund. West Africa's second-largest economy raised $750 million at a yield of 9.25 percent last week in an auction that was more than four times oversubscribed. About $400 million of the bond proceeds will be used to refinance the nation's first 10-year bond which matures in 2017 while the rest will be used for capital projects, Finance Minister Seth Terkper, said in an interview in the capital, Accra, on Sept. 7. President John Dramani Mahama, who will in December run for a second term in office, last year agreed to almost $1 billion in loans from the IMF to help rein in the budget deficit and arrest declines in the cedi. During negotiations that ended earlier this month the Washington-based lender sought assurance that the country won't use funding from the Bank of Ghana before releasing a fourth portion of $115 million under an extended credit-facility deal. Last week's bond issuance means Ghana will probably not call on the next tranche of the IMF bailout this year, Landesbank said. "They won't give in to IMF demands as long as there's enough demand for cedi bonds," Lutz Roehmeyer, a money manager at Landesbank Berlin Investment, which oversees about $12 billion of assets, said by phone from Berlin. "When the next crisis is there and Ghana has no choice, they'll do it. But for now, they'll avoid it."

Ghanaian lawmakers passed legislation last month that allows the government to borrow as much as 5 percent of the previous year's revenue from the central bank, contrary to the IMF's demand for zero financing from the Bank of Ghana. Terkper said the government will continue to implement the IMF program and has not made use of central bank financing in the year to date. The IMF concluded a staff visit to Ghana on Sept. 2 and said it held "constructive discussions" on the credit facility. It also wanted to make sure financial pressure faced by state-owned companies in the energy industry will not pose additional risks to the government's budget, the lender said in a statement on its website. Ghana's Eurobonds have returned 5.8 percent since the beginning of August, compared with the average of 4.3 percent for dollar debt of 17 sub-Saharan African nations, Bloomberg indexes show. Yields on the nation's 2023 notes have dropped 102 basis points in the period. Yields on the 2023 notes climbed 22 basis points on Monday to 9.53 percent. The cedi was little changed at 3.95 per dollar by 6:50 a.m. in Accra. "Investors continue to price in the risk that the government will embark on a pre-election spending spree, but we expect that while there will be some slippage, a repeat of the ramp-up in spending which took place prior to the 2012 vote will not happen," analysts at BMI Research said in an e-mailed note to clients on Monday.

"Yields will fall further next year." Ghana's budget deficit in its previous election in 2012 was 12.1 percent of gross domestic product. The gap narrowed to 6.5 percent of GDP last year from 10.2 percent in 2014. The fiscal shortfall in the first five months of 2016 was 2.5 percent of GDP against a target of 2.2 percent, Terkper told lawmakers in July. The Ghanaian economy expanded 3.9 percent in 2015, the slowest pace in 15 years, according to IMF data. The finance ministry said in July growth will probably accelerate to between 4.1 percent and 4.3 percent this year as new oil projects start contributing to output. "The bond gives Ghana some comfort," Michael Cobblah, a director at C-nergy Ghana Ltd., an advisory and investment banking services company, said by phone from Accra. The IMF "program aided in the success of this bond so I expect the consolidation to continue," he said. *(Bloomberg)*

The Financial Inclusion Advocacy Centre, in collaboration with the Ghana Microfinance Institutions Network (GHAMFIN), is set to establish a financial inclusion fund that will provide cheap lending funds to microfinance institutions and rural banks. This is expected to deepen financial inclusion in the country as more businesses can source for loans from these microfinance institutions and rural banks at a lower interest rate. This was disclosed by the Chief Executive Officer of the Financial Inclusion Advocacy Centre, Mr Godfrey Crentsil, on the sidelines of an investor's conference in Accra. He said it was looking at a seed funding of US$ 15 million which it expected to raise from its network of fund managers around the world. After the set up of the fund, he said, contributions into the fund would be derived from the interest raised, placements and grants. He said it had engaged lots of its international fund managers who were all interested in the setting up of the fund. He pointed out that before the microfinance and rural banks would be able to access the fund, they would have to go through GHAMFIN and once they went through the criteria, they could access it. The Head of Other Financial Institutions Supervision Department (OFISD) at the Bank of Ghana (BoG), Mr Joseph Amoah Awuah, also speaking at the conference said the BoG was in the process of establishing an apex body that would share the responsibility of supervision of microfinance and rural banks in the country. He said the body would consist of a board which would be made up of representations of all stakeholders and an operating unit which would be tasked with the field work such as collecting and analysing data, and ensuring that there was compliance within the sector. He, however, indicated that the BoG would still be in charge of providing the licensing and regulations but the role of supervision would be shared with the apex body. "It is not possible for one institution to supervise all of them effectively," he stated.

The conference, which was organised by the Ghana Microfinance Institutions Network (GHAMFIN), in collaboration with the Financial Inclusion Advocacy Centre, was aimed at providing the donor community and investors the opportunity to share their projects with the Micro Finance Institutions (MFIs). The Executive Director of GHAMFIN, Mr Yaw Gyamfi, said the two days conference sought to afford the donor community and investors, the opportunity to contribute meaningfully to the industry's development as well as help the MFIs to share their prospects and challenges with investors and also solicit for their support. He said it would also aim at promoting best practices within the industry to the donor community and investors for possible funding support. Mr Godfrey Crentsil said it intended to build the institutional strength and outreach of the micro finance sector by providing it with a full range of high quality, best practice technical inputs and support. He added that as an independent support centre, it was committed to promoting innovations, transparency and increased outreach to the poor and also aid in the improvement of the performance of the micro finance industry. *(Ghana Web)*

Expectations are high among cement producers that there will be a recovery in consumption this year after a sharp fall in sales last year on accounts of the recent power supply challenges in the country. B&FT has gathered that cement sales, which is used to gauge activities in the construction sector, suffered about three percent decline last year when compared to the volume of cement sold a year before. Data available to the paper shows that more than 4.13 million tonnes of cement, equivalent to about 82.6 million bags, were sold last year, which is less than the 4.26 million tonnes- about 85.2 million bags- sold a year before. The shortfall, according to the cement producers, was due to the energy challenges and slowdown in demand. Nonetheless, the construction sector last year experienced a 3.3 percent growth, which is a better performance than the previous year when construction growth stagnated. In 2013 however, when cement sales soared, the construction sector expanded by 8.6 percent. Some officials of a couple of domestic cement manufacturers, who asked not to be named because they were allowed to talk to the media, are buoyed by the semblance in the stability in energy supply and the impending general polls to scale up production. This, they argued is evident in the sales volume last year, when consumption fluctuated throughout the first nine months but picked up in the last quarter of the year when a number of thermal generation facilities came on stream to contain the intermittent power cuts. Additionally, the producers are confident the execution of a number of capital projects especially in the construction sector in the lead up to the elections in December this year will help to increase cement sales. The optimism is in spite of the fact that government's capital expenditure at the end of May this year was GHC1.88 billion; below the budgeted capital spending of GHC2.76 billion in the same period. *(Ghana Web)*

The Minister of Finance, Mr Seth Terkper, has expressed satisfaction at the pricing of Ghana's fifth Eurobond at 9.25 per cent in London on Thursday to raise US$750 million from international investors with appetite for emerging economies' sovereign debt instruments. Mr Terkper said both the issue and the processes that led to its success were satisfactory, noting that "Ghana's turnaround story had significantly improved investor confidence." "This has enabled the country to borrow on more reasonable terms compared to other recent transactions, including the 2015 bond that was issued with a World Bank guarantee," he said. Ghana last issued Eurobond at 10.75 coupon (yield) rate for US$1 billion, even with guarantee from the World Bank and its International Development Association (IDA). The coupon rate and high interest clearly give credence to the government's decision not to issue the note last month. According to the Ministry of Finance, the bond was oversubscribed, with orders exceeding US$4 billion compared to a target issuance size of US$750 million, with interests coming from investors in the United Kingdom, Europe, the United States, Middle East and Asia. The outturn represents an oversubscription of more than five times indicating the high appetite for Ghana's credit. "The bond is a back-end amortising maturity with a weighted average tenor of 5 years. The principal will be expected to be repaid in three instalments of US$250 million in September 2020, September 2021 and September 2022," a statement from the ministry of finance said. It added the Notes would be listed on the Irish and Ghana Stock Exchanges. Ghana went on a road show last month with a team led by Mr Seth Terkper, Minister for Finance and Mr Millison Narh, the Deputy Governor of the Bank of Ghana, which interacted with investors in London, Boston and New York.

Due to unfavourable market conditions, a decision was taken not to price a transaction immediately after the road show and to continue to monitor the markets, as Ghana last bond at the time was trading closer at 10.4 per cent. Since then the market has trended favourably, making it attractive for Ghana to price a transaction, with the Ghana 23's trading at 9.33 per cent prior to the current announcement. The government, as part of the new debt management strategy, has implemented a "buy-back" of US$100 million of Ghana's first Eurobond, codenamed 'Ghana 2017', using the recently established sinking fund for retiring sovereign bonds. Up to US$400 million of proceeds from the new issue would be used to retire Ghana 2017. A total of US$250 million from an earlier Eurobond was used to buy-back Ghana 2017, issued in September 2007. While thanking the investor community for their interest and support for the Ghanaian economy, Mr Terkper stressed that the outturn was a vindication of the decision taken not to issue the bond last month. *(Ghana Web)*

Ghana's budget deficit is expected to fall to 4.9 percent of GDP this year against an initial projection of 5.3 percent, President John Mahama said on Tuesday in a speech to present highlights of the ruling party's manifesto ahead of an election in December. Gross domestic product is expected to grow more than 8 percent next year, compared with a projected 4.1 percent this year, he said. Positive economic news is crucial for Mahama's hopes of winning a second and final four-year term in office, given that the economy slowed sharply in the years after he came to power in 2012. The slowdown was caused by lower global prices for gold, oil and cocoa exported by Ghana and a fiscal crisis that forced the government last year to begin a three-year aid deal with the International Monetary Fund. Mahama is expected to face a tight contest against Nana Akufo-Addo, leader of the New Patriotic Party, which ruled the country for eight years until it lost an election in 2008. "Our opponents have been seeking to belittle our achievements, claiming that we have benefited from more resources than any other government in our country's history," Mahama said. "It is much easier to deny that anything has happened than to say that there's been progress but that they can do better," Mahama said. *(Reuters)*

Ghanaian President John Dramani Mahama pledged that the West African country won't seek further bailouts from the International Monetary Fund while economic growth will almost double next year as he seeks a second term. Mahama is leading his National Democratic Congress to polls scheduled for December while the country is in the second year of an almost $1 billion loan-program with the IMF. Ghana turned to the Washington-based lender in April 2015 after lower prices for its gold, cocoa and oil exports caused debt to balloon and the currency to decline against the dollar while regular power cuts weighed on the economy. "Ghana's current IMF program will be the last of all IMF programs," Mahama said Tuesday in a televised presentation of the NDC's key manifesto points. "With the institutional reforms we have implemented in the economy, Ghana will not need to go to the IMF again for any credit facility." Ghana's gross domestic product will expand by more than 8 percent in 2017 as new oil and gas projects come on stream, Mahama said. The economy will grow between 4.1 percent and 4.3 percent this year, Finance Minister Seth Terkper said in July, after GDP expanded 3.9 percent in 2015, the slowest in almost two decades. Inflation, which measured 16.7 percent in July, will fall to below 10 percent next year, Mahama said. Ghana, the world's second-biggest cocoa producer, will increase annual output of the chocolate-making ingredient to one million metric tons, from about 750,000 tons, Mahama said.*(Bloomberg)*

Ghana's annual consumer price inflation rose to 16.9 percent in August from 16.7 percent in July, the statistics office said on Wednesday. The West African country is implementing a three-year aid programme with the International Monetary Fund to remedy fiscal problems that include inflation that for years has exceeded government targets. *(Reuters)*

Business Finder's comparison of Ghana's debut on the international capital market in 2007 when it raised US$750 million at a cost of 8.50 per cent with the recent Eurobond has revealed a struggling economy. The paper's analysis showed that while the first bond was issued for a maturity term of 10 years at a cost of 8.50 per cent, the fifth Eurobond issued this September has a shorter term of five years and worse still at a higher cost of 9.25 per cent. The short term nature of the fifth bond and the high cost will undoubtedly put greater fiscal stress on government as it must marshal funds to commence its repayment from September 2020, barely three years away. Economists who spoke to Business Finder said the development was a clear sign that the fundamentals of the Ghanaian economy are far from improving. According to them, it reflects the current weak fundamentals of the economy, including the high public debt (GHS105 billion as at May 2016), increased debt service risks, high inflation (16.7 per cent) and slow growth (revised downwards from 5.2 to 4.1 per cent). On the contrary, in the face of a global economic and financial crisis in 2007,Ghana's economic growth rose to 9.1 per cent, while Ghana's total debt amounted to GHS9.5 billion by the end of 2008. Following the adoption and implementation of the HIPC initiative and the then government's policy framework of fiscal discipline, the country's debt to GDP ratio declined from 189 per cent in 2000 to 49 per cent in 2008. Government debt as a percent of GDP is used by investors to measure a country ability to make future payments on its debt and so affects the country's borrowing costs and government bond yields.

According to analysts, when Ghana entered the international bond market nine years ago, it was said at the time that the country was subjecting itself to the discipline of the commercial borrowing market, and that it was positive for the country. "From the high yields the market is offering us, Ghana is now being disciplined for retrogressing," one economist said. Dr Eric Osei Assibey, Economist at the University of Ghana disagrees with government's description of the deal as having been oversubscribed and seeking to imply that it was proof of renewed investor confidence in Ghana's economy. The economist observed that the last time Ghana borrowed, "we did so at a cost of 10.75 per cent for a period of 15 years which was in terms of cost very high; but looking at the term to maturity, it was good because it gave government enough laxity to mobilize revenue."
According to him, even though the interest rate had reduced from 10.75 per cent to 9.25 per cent, the number of years for the loan to mature had reduced drastically from 15 to 5 years. "A calculation of the effective rate of interest will show that the deal is not favourable at all," he noted. "When we compare the $1 billion Eurobond issued at 10.75 per cent for a term of 15 years against $750 million for only five years at 9.25 per cent, it is obvious that the latter cannot be described as a good deal," he explained. Every country borrows. There is no country in the world that doesn't borrow but when you are borrowing there is the need to pay attention to the term structure of the loans, he pointed out. He however indicated that the coming of the $750 million was good because it was coming in as inflows to shore up the country's domestic currency and give government the fiscal space to carry out development projects outlined in the budget and refinance some of the maturing debts. *(Ghana Web)*

With barely three months to general elections in Ghana, banks are cautious about extending credit to businesses and individuals, some industry experts have told Business Finder. The uncertainty regarding this year's general elections and the high non-performing loans are the major reasons that continue to compel the banks to adopt a wait-and-see attitude when lending. Some banking players who spoke to this paper on condition of anonymity explained that the banks are mindful of the implications of previous election years, hence their tough stand to cut lending. They argued that though spending increases during the latter part of the year they will not rush to grant loans particularly to new clients because of past experiences. Already, some of the financial intermediaries have slowed down lending to certain critical sectors of the Ghanaian economy particularly manufacturing, real estate and energy. Almost about half of banks operating in Ghana registered NPLs higher than the banking industry average of 16 percent. Though inflation reduced from 18.4 percent in June 2016 to 16.7 percent in July 2016, banks fear the historical antecedent of election spending excesses are likely to push the budget deficit very high and thereby affect interest and exchange rates.

This has reduced expectations that the Bank of Ghana (BoG) will reduce its policy lending rate when its Monetary Policy Committee reviews the health of the Ghanaian economy this weekend. At the last MPC meeting in July, the Central Bank said the risks to inflation and balanced growth triggered the unchanged policy rate. Standard Chartered Bank and GT Bank have considerably slowed down lending particularly to businesses because of their high NPLs in the first half of this year. Stanchart registered the highest default loan of 51.73 percent in June 2016 as against 26.3 percent in June 2015 while GT Bank also registered a high NPL of 29.98 percent as against 8.71 percent in June 2015. According to the BoG, banks loan quality generally deteriorated in 2016. Non–performing loans (NPLs) increased by 59.9 percent from GH¢ 3.1 billion in March 2015to GH¢ 4.9 billion in March 2016. This translated into an NPL ratio of 16.2 percent, up from 11.4 percent in March 2015. The worsened NPL ratio was attributed to a number of factors, including the general slowdown in the economy, increasing cost of production due to high utility tariffs and reclassification of the loan portfolio of banks. Adjusting for the fully provisioned loan loss category, however, the NPL ratio reduced to 8.3 percent in March 2016, compared with 5.5 percent in March 2015. *(Ghana Web)*

Kenya

Corporate News

Equity Group Holdings Ltd., Kenya's biggest lender by market value, has as much as 100 billion shillings ($987.5 million) available for additional lending as it seeks to double business loans over the next three years, its directors said. With about 50 percent of the bank's highest quality assets as a proportion of its cash outflows available, the lender has more than enough liquidity on hand for more loans, Chief Executive Officer James Mwangi told reporters at a briefing in the capital, Nairobi. "At that liquidity, we can be able to set aside before the year-end, up to 100 billion shillings for additional lending," he said. Banks in East Africa's biggest economy have warned that new limits that came into effect on Wednesday risk drying up credit in the $61 billion economy. Lenders are now required to price their commercial loans at no more than 400 basis above the prevailing benchmark Central Bank Rate, currently at 10.5 percent. The law also compels financial institutions to pay interest of at least 70 percent of the so-called CBR on deposits. Equity's share have dropped 31 percent to 25.50 shillings since President Uhuru Kenyatta approved the law on Aug. 24. The nation's biggest lender by assets, KCB Group Ltd., is down 16 percent to 27.50 shillings. Equity plans to double the amount of credit it provides to companies and small- and medium-sized enterprises over the next three years, Rohit Singh, the group's executive-director for that market segment, said at the briefing.

The bank said last month it would shrink consumer lending to 15 percent of its loan book from between 35 percent and 40 percent three years ago, and focus instead on small- and medium-sized enterprises. Its net customer loans increased 26 percent to 269.9 billion shillings in 2015. Equity earlier on Wednesday introduced four fixed-deposit savings products as it seeks to protect a retail-client base that has traditionally funded the lender, according to Maurice Oduor, an investment manager at Nairobi-based Cytonn Investments. To circumnavigate higher deposit rates, Kenyan lenders have been converting savings accounts into transaction accounts to control funding costs, according to Oduor. "We have seen this before, we saw it in the 90s," Mwangi said, referring to banks reducing their funding from customer deposits. "When times are hard you close branches, you increase minimum balance. That's a strategic mistake (by other banks) that created Equity Bank." *(Bloomberg)*

Kenya's biggest bank by assets, KCB, is set to finally get a foothold in Somalia after President Uhuru Kenyatta secured the lender's entry into the neighbouring country during his Tuesday visit to Mogadishu. State House said in a statement that President Kenyatta won the concession from Somalia's leadership for KCB to open an office in Mogadishu before the end of the year. KCB Group and Commercial Bank of Africa (CBA) had applied for an operating licence in the troubled country along Gulf lenders seeking to operate in Somalia, where only four per cent of the population is banked. "President Kenyatta secured an agreement from the Somali government to allow Kenya Commercial Bank to open an office in Mogadishu before the end of the year. The leaders also agreed that the two countries will continue their cooperation in security while Kenya will help Somalia strengthen its public service," said the press statement. KCB, which already has a presence in Uganda, Tanzania, South Sudan, Rwanda and Burundi, has been considering entry into Somalia, Democratic Republic of Congo and Djibouti under its strategic plan. The NSE-listed lender, which is partly owned by the Treasury, has at times ridden on State-initiated deals to open up regional markets for Kenyan companies. Early in the year, Somalia's Foreign minister Abdusalam Omer and his Kenyan counterpart Amina Mohamed signed a Joint Commission on Cooperation Agreement to address gaps in immigration, security, banking, trade and other areas. A similar arrangement with Ethiopia under the special status agreement saw KCB announce it had received a licence to operate a representative office in Africa's second-largest market by population in November. Ethiopia remains untapped due to restrictions on foreign investors venturing into the telecoms, banking, media, retail, insurance, and electricity sectors. Like Ethiopia, Somalia's population of about 12 million largely depends on the black-market and money transfer firms that handle close to $1.5 billion annually in remittances — offering great potential for Kenyan banks.

Equity Bank recently acquired a 79 per cent stake in a DRC bank, Pro-Credit, increasing the number of countries it currently operates in to six. It has also indicated interests in entering both Somalia and Ethiopia. The Bank currently operates in Uganda, South Sudan, Tanzania, Rwanda and Kenya. KCB may, however, have to fight off a reputational risk after the bank was adversely mentioned in a report on the pillaging and laundering of the war torn South Sudan. The report revealed that the country's politicians and their families have managed to accumulated wealth as citizens continue dying due to persistent war and hunger. Sentry, a watchdog group co-founded by Hollywood actor George Clooney, says in a report titled 'War Crimes Shouldn't Pay', that $3 million was moved through a personal account at KCB held by Gen Malek Reuben Riak, the South Sudan army's deputy chief of staff for logistics, between 2012 and 2016. $1.16 million in cash was withdrawn from the account during the period. KCB on Tuesday denied the allegations saying it operated within the law. The lender said it works closely with the Government of South Sudan and the Bank of South Sudan with regards to resolutions on UN Security Council Sanction List 2206. "We advise that KCB being a regulated entity deploys global standards applicable to anti- money laundering guidelines and know-your-customer requirements provided by the regulators in all the countries of our operations," chief executive Joshua Oigara said in a statement. The bank said its South Sudan unit will remain committed to safeguarding the confidentiality of customer information as required in the respective banking laws across the regional markets.*(Business Daily)*

Investment company Centum has bought 120 acres of land in Ol Kalau, Nyandarua County, to start production of exotic herbs and vegetables for export in its first agribusiness venture. The Nairobi Securities Exchange-listed firm acquired the land at a cost of Sh89 million through Greenblade Growers Ltd, a new fully owned subsidiary. "Through this subsidiary we acquired a 120-acre site in Ol Kalau, Nyandarua, and have established a business focused on growing herbs and vegetables primarily for EU markets," the company says in its latest annual report. Centum said it is currently developing the site, with some of the infrastructure including a 1,296 square metre pack house which will be used for value addition with a capacity to process 10 tonnes of fresh produce per day. It is also building greenhouses on 14 acres of the site besides a 30,000 square metres water reservoir. The company will export a range of horticultural produce including exotic herbs coriander, parsley, dill, chives, tarragon, lemongrass, mint and rosemary. Netherlands will be the key export market, followed by the United Kingdom. The company says it will expand its investment in the agricultural sector as part of its overall diversification and growth strategy. "We intend to significantly scale up our investment in this sector going forward through the acquisition of larger tracts of land, diversification into further agricultural products, and development of end-to-end value chain infrastructure," Centum says in the report. The company said it will buy more land parcels in Kenya and the region as it steps up its investment in the sector. Agriculture is the latest industry Centum has ventured into. The company has also moved to invest in the education sector with other institutional investors, recently buying land on Kiambu Road for the establishment of the first of a chain of private schools in the region. Centum is also set to invest in the healthcare sector and recently hired Dr Farai Shonhiwa to this end. Her experience in healthcare includes clinical medicine and several senior management positions within Life Healthcare Group, a leading healthcare provider in Sub-Saharan Africa. "In November 2015, Dr Farai Shonhiwa was appointed Head of Healthcare with the responsibilities of development and execution of our healthcare strategy" Centum said.*(Business Daily)*

Investment firm TransCentury is set to allocate 70,120 preference shares to Kuramo Capital as part of a transaction that will see the private equity firm inject $20 million (Sh2 billion) into the company. Besides the shares, Kuramo will also get 93.7 million ordinary shares equivalent to a 24.99 per cent stake in the Nairobi Securities Exchange (NSE)-listed firm. The Sh2 billion will be used to repay part of TransCentury's bond that was cut in half to Sh4 billion after negotiations with bondholders. TransCentury did not disclose the terms of the preference shares which usually have a higher priority claim on the company's assets and earnings than ordinary shares. Their contract generally requires that they are paid a fixed rate of dividend first – amounting to a form of interest - before any dividends are paid on ordinary shares. The entry of Kuramo is part of TransCentury's efforts to pay the billion dollar-denominated bond it issued in 2011 and which had grown to over Sh8 billion by its maturity date of March 25 this year on accrued interest and weakening of the shilling. The firm, which was not in a position to settle the debt in cash, said it had reached an agreement with the majority of the bondholders which led to halving of the outstanding amount to Sh4 billion. Cash from Kuramo is to pay half the amount while the remaining portion, due this month, could be restructured into a new three-year loan. A section of the bondholders were also allotted 5.7 million shares in TransCentury, booking a 95 per cent loss in the convoluted settlement plan. The firm's share price rout is part of the reasons the bondholders could not convert their units into shares. The firm listed on the NSE at an offer price of Sh50 but the stock has declined to the current range of Sh11.3. The stock has however rallied over the past few days, jumping from lows of Sh4.5. *(Daily Nation)*

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This Week's Leading Headlines Across the African Capital Markets

Economic News

Banks will have to rethink their strategies on lending after the National Treasury revealed that it is considering a second Eurobond to patch the budget deficit. The revelation by Treasury Cabinet Secretary Henry Rotich to American-based news agency Bloomberg and a confirmation by Central Bank of Kenya (CBK) that all loans will be priced at not more than four per cent above Central Bank Rate (CBR) starting this morning puts banks in a tight corner. Mr Rotich was quoted by Bloomberg saying that he is likely to meet with potential investors in the US next month in a bid to issue Kenya's second Eurobond. He will be attending a two-day International Monetary Fund annual meeting in Washington starting October 7. "There will be side meetings and I need to give them progress reports on Kenya," said the CS, adding that the government has also factored in a possible hike in US Federal Reserve interest as it seeks to borrow overseas. Budget deficit The 2016-17 budget has a 9.3 per cent deficit and the decision by the Government to look beyond domestic market will now leave banks with lesser options to borrow.

Even though Rotich is yet to disclose how much the Government will be seeking through Eurobond, it has made it is clear that Kenya plans to borrow about Sh462 billion from external lenders. Offshore borrowing will mean that banks will see less of government involvement in the domestic market in what has in the recent past been partially blamed for interest rate spike. In the wake of capped interest rates accompanied by requirement for banks to offer customers at least 7.35 per cent returns on deposits, banks may have to make do with reduced revenue streams. The lenders will, therefore, have to intensify their drive to bring on board more borrowers to avoid suffering a squeeze in their traditional source of income. The proposed issue will be the second time Kenya is tapping into the international market. The Government had raised $2 billion from international investors in 2014. *(Standard Media)*

Investors at the Nairobi bourse have recently lost nearly a quarter of a trillion shillings worth of wealth following a rout of banking stocks that affected other equities shortly after enactment of a law controlling interest rates. Within the first eight days of the enactment of the law, the investors with shares listed on the Nairobi Securities Exchange (NSE) lost Sh243 billion, that had improved to Sh215 billion loss as of yesterday. With the bourse valued at Sh1.895 trillion yesterday, the loss is a fifth of the value relative to the Sh2.11 trillion hit on the day just before the Banking (Amendment) Bill was signed into law by President Uhuru Kenyatta. At its lowest recently, the market cap came down to Sh1.867 trillion. "Banking stocks were very popular before the capping of interest rates. But quite a number of investors sold their stocks after the new law was put in place. It has become a general trend for stock prices to fall," said Raymond Kipchumba, research analyst at Nairobi-based ABC Capital. He said the bourse is facing multiple pressures, not only from the recent law on banking but also the uncertainty relating to the next General Election scheduled for August 2017 and the Brexit jitters. The UK's decision to exit the European Union, for example, has been associated with foreign investors getting risk-averse with regard to assets in emerging and frontier markets. "The General Election in 10 or 11 months is itself creating some uncertainty as always happens in such times but investors with a long-term mindset usually have an upper hand," said Mr. Kipchumba.

However, some foreign investors had initially targeted dividends being declared or paid in the coming months by some of the NSE companies. Mr. Kipchumba noted that the Safaricom dividend of Sh1.44 — billed the highest ever for the economy in a single year — was earlier a major attraction as it ensured the company hit a high of Sh21.75 per share recently. However, the share price fell as soon as the book closing data arrived a week ago. Barclays Bank is another company whose share price fell by a limited margin due to the declared interim dividend. Burbidge Capital head of research Vimal Parmar said it would be difficult to tell where the market is heading due to the uncertainty of foreign investor flows besides that around the law capping interest rates. "We can say much about the near future. Currently, between 70 and 80 per cent of the market activity is from foreign investors, which means that they are a major determinant of the direction of the market. "And we can't tell in advance about these foreign flows," said Mr. Parmar. *(Business Daily)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

Arik Air, Nigeria's largest airline, cancelled all of its flights on Tuesday in what it called a temporary disruption related to insurance renewal, it said in a statement on Tuesday. The company warned the disruption was likely to continue for the next few days as it awaited approve from national insurance commission NAICOM to renew its insurance with a new company. It did not say why it had changed insurance companies. Arik, which has services to London, New York and Johannesburg, said it was "working around the clock" to resume operations. "We are fully committed to returning to our normal operations and minimize any unfortunate inconvenience to our passengers," Arik Chief Executive Michael Arumemi-Ikhide said in the statement. Nigerian airlines and international carriers operating within the country have struggled with a plunge in the local currency, the naira, that has made it difficult to get U.S. dollars to buy jet fuel and also to remain profitable as passengers pay in naira. Two other local carriers, Aero Contractors and First Nation, recently suspended operations, though the government said both would eventually reopen. International carriers United and Iberia stopped their services to Nigeria earlier this year, while others have begun refuelling abroad to avoid jet fuel shortages. International airlines have complained about the difficulty of repatriating millions of dollars worth of fares sold in local currency. *(Reuters)*

Guinness Nigeria Plc plans to increase exports to improve sales and generate more foreign exchange as the country's second-largest brewer battles to overcome an economic slump in its home market. The unit of London-based Diageo Plc will consider selling Guinness stout and the herbal drink Orijin in South Africa to boost the proportion of beverages it sends to international markets, Chief Executive Officer Peter Ndegwa, 48, said in a Sept. 9 interview at the company's office in Lagos, the commercial capital. That will help resolve the brewer's shortage of foreign currency in Nigeria, which the beverage maker needs to pay for imported goods. "With all the challenges we have had with foreign currency availability, we realize that export is a great opportunity to gain foreign exchange and stabilize," Ndegwa said. "We have heard a lot of inquiries from South Africa. We are currently in the process of seeing how we can export some of those brands to the country." Heineken NV is also expanding in South Africa with the recent introduction of Sol Mexican lager, part of a plan to boost its market share in a country dominated by SABMiller Plc. Guinness Nigeria will also seek to export beer to target Africans living on other continents, Ndegwa said. Generating foreign currency from exports would help Guinness Nigeria offset a scarcity of dollars in its home market caused partly by a slump in oil revenue, the country's biggest earner.

The economy is on track to shrink 1.8 percent this year, according to the International Monetary Fund. That would be Nigeria's first full-year contraction since 1991, according to data from the nation's statistics agency. Nestle Nigeria Plc, a unit of the world's biggest food company, warned last month that a lack of foreign currency and the highest inflation in nearly 11 years would hurt profit margins. Guinness Nigeria is seeing drinkers switch to cheaper beer brands such as Satzenbrau as disposable incomes decline, and is expanding its range of spirits to increase choice in its more affordable product range. "We are focused on brands that are lower priced, by either improving distribution or improving awareness," Ndegwa said. "We have spirit brands across all categories but the growth is mid-to-lower end." Nigeria's July inflation rate of 17.1 percent, the highest since October 2005, has raised the cost of doing business, according to Ndegwa. Guinness Nigeria has worked toward increasing the amount of goods sourced locally in the past 18 months to make savings through the reduction of imports, a strategy that will also ease the need for foreign currency, he said.

The brewer will invest 12 million pounds ($15.9 million) in a plant in Benin City, in the south of the country, to reduce spending on imports, the CEO said. Earnings after tax fell 83 percent in the nine months through March, while revenue dropped 18 percent to 69.6 billion naira ($220 million). The shares are down 17 percent this year, compared with a 3.7 percent fall in the Nigerian Stock Exchange All Share Index. Even as Guinness Nigeria battles the list of challenges, the company is committed to Africa's most populous country and the CEO pledged to "weather the storm." There's a lot of demand for "great brands offered by companies like ours," Ndegwa said. "We see opportunities for growth, despite the fact that the economy doesn't look as attractive." *(Bloomberg)*

The MTN Group Limited has raised $1.3bn in loans before its planned sale of bonds to offset the N330bn Nigerian fine, pay dividends and address capital expenditure. The shares of Africa's largest mobile phone operator by sales climbed for a second day after raising the loan. The shares jumped by 2.2 per cent to 121.49 rand as of 12:29pm in Johannesburg on Wednesday, the biggest two-day advance since June 29 and valuing the company at $16bn, according to Bloomberg. MTN is being provided with $1bn and 4.8 billion rand from local and international banks and financial institutions, it said in an e-mailed response to questions on Tuesday. MTN is on a roadshow in the United States and the United Kingdom this week to gauge investor appetite for debt securities. "The fact that MTN managed to secure the loans and attract funds from institutional investors bodes well," said Sasha Naryshkine, a director at Vestact Limited in Johannesburg, which holds MTN stock, adding, "This might also help MTN to get a good outcome in terms of selling bonds. Investors will look for yields without too much risk, and things are looking much better for MTN. The timing is good for a MTN bond sale." MTN's move to attract funding came after the company this year posted its first-ever half-year loss, partly caused by an agreement to settle a record N330bn fine in Nigeria. The stock has declined by 29 per cent over the past 12 months amid concern over the penalty and a subscriber base of 233 million that didn't grow in the six months through June. The wireless operator is also struggling to repatriate 15.4 billion rand tied up in its Iranian unit. MTN and its subsidiaries have $3.2bn of debt and interest payments due by the end of July next year, according to data from Bloomberg. That includes a $2.75bn bridge-term loan, a 2 billion-rand senior unsecured loan and 1.25 billion rand of bonds, the data showed. *(Punch)*

Debts buying firm, Asset Management Corporation of Nigeria, said it has begun linking prospective foreign investors with debtors, with a view to salvaging their businesses. The development comes as AMCON disclosed that the Federal Government had no intention to force mergers and acquisition on operators in the troubled aviation industry. AMCON's Managing Director/Chief Executive Officer, Ahmed Kuru, said: "Some of them (debtors) don't have capability; some don't have cash and some don't have the right temperament. So, we're bringing them (investors and debtors) together. Instead of taking over the businesses, the three of us can come together and allow professionals run the businesses." He revealed that AMCON was in talks with a lot of prospective investors in this regard. "All that is required is have an understanding. You know, due diligence takes time and it also takes time to identify the area you want to go into. We're talking to quite a lot of investors, especially from outside, in terms of partnering with AMCON." He said some prospects, so far, have expressed interest in diverse areas including fast-moving consumer goods, aviation, oil and gas, and steel manufacturing. "We're just the repositories of all these businesses. They will tell us the areas they're interested in, and we would show them available businesses in the sector."

Kuru further explained that to streamline the debts, AMCON had to restructure its businesses along sectorial lines, adding that it already had groups that understood issues of agriculture, manufacturing and aviation. He said AMCON was working in collaboration with other government agencies, such as the Ministry of Finance. "They (Finance) have created a framework where they will also invite and attract some of the investors directly through their own initiatives in the areas of agriculture and manufacturing, to expand the economy and also increase employment. "We're also talking with the National Sovereign Wealth Fund. They recently launched their fund for agriculture and real estate, so there are so many activities happening around the Ministry of Finance, and how to jump-start the economy." Clarifying how AMCON links up the investors to the debtor companies, Kuru said: "Most of these companies have bad loans, but they have underlining businesses, and these bad loans may be as a result of bad corporate governance, lack of working capital, or lack of understanding of the market. These people, coming from the outside, have the understanding, they have the skills, and they have the working capital. They're bringing all these to bear, and the market is also here." On aviation, the AMCON boss said there were still prospects for the industry. "A lot of measures are being put in place by the Ministry of Aviation. But the current template needs to be addressed, as there are a lot of institutional reforms required." He argued that mergers and acquisition couldn't offer immediate solution, since the sector is private led, and advocated consultations. *(Guardian)*

Economic News

Crude oil production from Nigeria dropped the most in August among its peers in the Organisation of Petroleum Exporting Countries, paring the gain it recorded in the previous month. Nigeria had in March lost the status of Africa's top oil producer to Angola when the country's production dropped to 1.677 million barrels per day, compared to Angola's 1.782 million bpd. OPEC's Monthly Oil Market Report for September, which was released on Monday, showed that Nigeria's oil output fell to 1.468 million bpd in August from 1.52 million bpd in the previous month, based on direct communication. Nigeria had in July recorded the biggest increase in output, but it was not enough to help the country regain the top spot from Angola. According to secondary sources, OPEC crude oil production stood at 33.24 million bpd in August, a decrease of 23,000 bpd over the previous month. "Crude oil output increased mainly from Saudi Arabia and Iran, while Nigeria and Libya showed the largest drop," the 14-member oil cartel said in the report. Angola saw its oil output rise to 1.775 million bpd in August from 1.767 million bpd the previous month, based on direct communication, according to the OPEC report. Libya's production dropped to 292,000 bpd from 313,000 bpd, while Venezuela produced 2.104 million bpd, down from 2.117 million bpd. Ecuador's output fell to 542,000 bpd from 549,000 bpd, while Iraq saw its production dropped by 2,000 barrels to 4.354 million bpd. Saudi Arabia, the biggest producer in the group, recorded the biggest increase in August as it produced 10.605 million bpd, up from 10.577 million bpd in the previous month. Iran, which has continued to increase output in a bid to snap up more market share after sanctions were lifted, produced 3.653 million bpd, up from 3.631 million bpd.

According to the report, Africa's oil supply is projected to average 2.12 million bpd in 2016. This represents a decline of 20,000 bpd year-on-year and reflects an upward revision of 10,000 bpd from the August report. This year, oil production from Congo is only expected to grow by 50,000 bpd to average 320,000 bpd, while output in other African countries, despite increasing output from Ghana's production start-up in the Tweneboa, Enyenra, Ntomme project and a production ramp-up in Jubilee field in the second half of the year, will decline or be stagnant, OPEC said. It raised its forecast of oil supplies from non-member countries in 2017 as new fields come online and United States' shale drillers prove more resilient than expected to cheap crude, pointing to a larger surplus in the market next year. Demand for crude from OPEC will average 32.48 million bpd in 2017, down by 530,000 bpd from the previous forecast, according to the report. Oil is trading at $47 a barrel, half its level of mid-2014, as a supply glut that OPEC hoped cheap oil would banish sticks around. "It is expected that there will be higher non-OPEC production in the second half of 2016 compared to the first half," OPEC said in the report. The cartel expects non-OPEC supply to rise by 200,000 bpd in 2017, as against a previous forecast of 150,000-bpd decline. Near-record OPEC output, and higher supply from outside, could make it harder for OPEC and Russia to come up with steps to support the market. Producers are expected to meet in Algeria on the sidelines of the International Energy Forum from September 26 to 28. An attempt by producers to agree to a production freeze in April failed as Iran, wanting to boost oil exports that had been restrained by Western sanctions, refused to join and Saudi Arabia insisted all producers took part. *(Punch)*

The country's external reserves have been depleted by $1bn in the last five weeks, latest statistics from the Central Bank of Nigeria have showed. This follows the CBN's almost daily intervention at the interbank/official foreign exchange market in recent weeks, as chronic dollar shortage continues to weigh on the economy. In its efforts to defend the naira and prevent it from falling further at the official interbank market, the central bank has been selling dollars at the interbank market more frequently. The naira had fallen to an all-time low of 365.25 to the dollar at the interbank market on August 18 before making a gradual recovery. On Friday, the local currency closed at 310.64 against the greenback. At the parallel market, the naira, which has been under persistent pressure, closed at 424 to the dollar on Friday. The external reserves fell by 2.86 per cent to $25.45bn on August 29, 2016, up from the $26.2bn it recorded at the end of July. Year-on-year, the reserves have fallen by 18.9 per cent. The reserves had fallen by 0.4 per cent at the end of July, down from the $26.34bn recorded on June 29. The foreign exchange reserves stood at $26.42bn on May 28, down by 9.2 per cent year-on-year. The CBN had on June 20 lifted its 16-month-old currency controls and auctioned about $4bn on the spot and futures market to clear a backlog of dollar demand, to help boost interbank market trading. The global plunge in oil prices has caused the reserves to be depleting very fast.

The development had forced the CBN to introduce foreign exchange controls, which were abandoned in June. The CBN's Monetary Policy Committee announced plans to adopt a flexible exchange rate policy after the external reserves fell to $26.56bn on May 23. The external reserves have so far lost over $2bn this year. The nation recorded a balance of payments deficit of 1.4 per cent in its Gross Domestic Product at the end of 2015 owing largely to its first current account deficit (three per cent of the GDP) in over a decade. The nation's external reserves reduced by $6.7bn within a period of 21 months, the Minister of Budget and National Planning, Senator Udo Udoma, said on March

23. However, the foreign exchange reserves increased by $595m to hit a one-month high of $26.196bn, the CBN data showed on Monday. It had stood at $25.6bn as of August 24, down from $26.21bn on July 28, the CBN data showed. The reserves declined from $26bn on August 4, 2016 to $25.97bn on August 5 as the CBN stepped up dollar sales to boost liquidity at the interbank market and support the ailing naira. The central bank has been selling dollars regularly at the interbank market to prop up the naira since it floated it on June 20. *(Punch)*

In order to finance the 2016 budget, the Federal Government is to raise $1bn through the issuance of Eurobonds by November, investigation has shown. The amount to be raised from the international bonds market is part of the $4.5bn that the Federal Government plans to borrow from the market in three years. Authoritative sources told our correspondent on Wednesday that the government was watching events in the international capital market to know the best opportune time to approach it to raise the fund. Further investigation revealed that the international capital market had become very attractive to the Federal Government because of the dearth of foreign exchange in the country as a result of poor earnings from the nation's major forex earner, crude oil. It was also learnt that most of the monies expected from external borrowings to finance the 2016 budget would come from the issuance of the $1bn Eurobonds. Other sources recently approved by Federal Executive Council for external borrowing to support the 2016 budget are the World Bank, African Development Bank, China Exim Bank and the Japanese International Cooperation Agency. According to the budget passed by the National Assembly in May, the Federal Government is to borrow N900bn from external sources and N984bn from local sources. At an exchange rate of N400 to a dollar, the $1bn that the government plans to raise through Eurobonds is N400bn or 44.44 per cent of the N900bn it plans to borrow from abroad to finance some capital projects in the 2016 budget.

In preparation for the issuance of the Eurobonds, the Debt Management Office has advertised for key partners to offer the government consultancy services in order to avoid poor showing at the international bonds market. The consultants being sought by the Federal Government through the DMO are two international banks to serve as joint lead managers, one local bank to serve as financial adviser, one legal adviser and one technical adviser on communication. In the advert, the DMO stated, "The Federal Republic of Nigeria is in the process of establishing a $4.5bn Federal Government Medium Term Note Programme, 2016 – 2018, out of which it intends to issue $1bn Eurobond in the year 2016. "The purpose of establishing the FGMTN programme is to enable the FRN to have the flexibility of quickly taking advantage of favourable market conditions in the international capital market to raise funds, if and only when the need arises." Our correspondent learnt that officials of the DMO and the Ministry of Finance would in alliance with the transaction partners soon begin to sensitise the market to enable the country to take the earliest advantage of the market even though a target of November had been set. It was also learnt that the Federal Government had adopted a cautious approach to the market in order to get the best result.

In 2015, the Federal Government could not muster the courage to approach the international bond market to raise the funds that it had scheduled to borrow from the market because of circumstances prevailing within and outside the country. Instead, it resorted to the local bond market to raise the funds it had earmarked to borrow from abroad. The government could also not approach the market early enough this year because the 2016 budget that prescribed a borrowing of N900bn from external sources could not be passed until May. However, the Minister of Budget and National Planning, Senator Udo Udoma, had at a recent town hall meeting, said the government had a 12-month window to implement the 2016 budget. This means that the government can continue to implement the budget till May 2017. *(Punch)*

Investors gained N22.2billion at the stock market yesterday as the trading resumed on bullish note after two days holiday. The Nigerian Stock Exchange (NSE) All-Share Index rose by 0.23 per cent to close at 27,642.13, while market capitalisation added N22.2 billion to be at N9.5 trillion. The performance trimmed the year-to-date decline to 3.49 per cent. The positive close was propelled by price gains recorded by Dangote Cement Plc, Stanbic IBTC, Unilever, Lafarge Africa and Flour Mills of Nigeria Plc among others. However, Conoil Plc led the overall price gainers' chart as investors continued to react to the impressive 2015 full year results of the petroleum products marketing firm. The stock appreciated by 10.1 per cent to close at N26.21 per share, trailed by Unilever Nigeria Plc with 4.9 per cent. Conoil Plc posted a growth of over 176 per cent in profit after tax to N2.308 billion for 2015, up from N834 million in 2014. Based on the improved bottom-line, the directors recommended a dividend of 300 kobo per share, up from 100 kobo in 2014. Conoil attributed the improved performance to efficient management of resources, effective cost control policy, as well as reaping from its huge investment in the expansion and upgrade of its facilities. "For us, the downstream sector remains fundamentally attractive and viable today and the future. With our clarity of direction and focus, our company's long-term success is assured. We will sustain this improved performance and vigorously pursue our aspiration to remain the nation's leading petroleum products marketer and one of the most profitable quoted companies," the company said. Apart from Conoil Plc and Unilver, African Prudential Registrars Plc also gained 4.8 per cent, while Unity Bank Plc and Champion Breweries Plc went up by 2.9 per cent and 2.4 per cent respectively. In all, 15 stocks appreciated, compared with 19 stocks that depreciated. Diamond Bank Plc led the price losers with 5.8 per cent, followed by Sterling Bank Plc with 4.9 per cent. In terms of sectoral performance, the NSE Industrial Goods Index led with 0.5 per cent, trailed by the NSE Consumer Goods Index with a gain of 0.3 per cent just as the NSE Oil and Gas Index inched up marginally rose 0.01 per cent. Conversely, the NSE Banking Sector Index closed negative, down 0.7 per cent, while the NSE Insurance Index shed 0.4 per cent. *(This Day)*

The Federal Government borrowed N183.24bn via Treasury bills at an auction on Wednesday, with mixed yields on all the tenors, data from Debt Management Office showed on Thursday. The DMO raised N48.10bn of three-month paper at 14 per cent, down from 14.38 per cent it sold at an auction on August 31. It also sold N48.45bn worth of the six-month paper at 17.77 per cent, higher than 17.50 per cent previously. A total of N86.69bn was sold in the one-year debt at 18.48 per cent against 18.42 per cent at the last auction. The DMO had last Tuesday said the government would borrow N120bn ($387m) in local-currency denominated bonds at an auction on September 14. The debt office said it would raise N40bn each from debt maturing in 2021, 2026 and 2036, using the Dutch auction system. All the bonds were re-openings of previously issued debt. The Federal Government has estimated it will borrow around N900bn from the local debt market this year to fund a budget deficit projected at N2.2tn. The Central Bank of Nigeria has said it is planning to borrow N1.77bn via Treasury Bills in the last three months of the year. In its fourth quarter Treasury bill issue programme released last Monday, the CBN said it would raise about N815.37bn, comprising 91 days, 182 days and 364 days debt instruments In addition to the above, the central bank was also planning to raise about N952.05bn as rollover in the three categories of the instruments. This followed improved naira cash liquidity after the disbursal of July budgetary allocations to Federal Government agencies. The Federal Government distributes revenues from crude exports and taxes among the three tiers of government every month. At the CBN's Monetary Policy Committee meeting in July, the central bank raised its benchmark interest rate (Monetary Policy Rate) to 14 per cent in a bid to tighten liquidity. *(Punch)*

Tanzania

Corporate News

No Corporate News This Week

Economic News

THE economy is stable and is set to grow as projected basing on the ongoing economic activities, the Bank of Tanzania (BoT) has said. The bank said in a statement that various indicators show the positive economic growth for the year 2016 would reach the projected 7.2 per cent rate. "We are confident that the ongoing economic activities in the country will boost the growth of the economy by 7.2 percent this year, as it was projected earlier," reads part of the statement. It states that the increase in the export of local industrial goods is expected to contribute largely to the growth of the economy. The export of industrial goods has recorded good performance in the past six months compared to the same period in 2015 reaching 728.5 million US dollars, which is an increase of 15.6 percent compared to goods exported in the same period last year.

According to the statement , there were all signs for strong economic growth due to the fact that the fifth government is determined to build up progressive economy. "The fifth government does not give chance for corruption practices, it is ensuring strong supervision of resources and setting up strong infrastructure for building up industrial economy under the five years development plan," reads part of the statement. Among factors behind the country's economic growth include cement production on which in the first quarter of 2016, the production increased by seven percent. In the first three months of 2016, the country produced a total of 725,000 tons of cement compared to 680,000 tons of cement, which was produced in the same period in 2015. The increase of cement production in the first three months of 2016 is attributed to the establishment of Dangote cement factory in Mtwara Region. "We expect other cement factories to boost cement production this year. Cement is highly needed product in the country," reads the report. The bank said generation of electricity has also increased in the country and thus helping to boost economic growth. In the first three months of 2016 power generation has increased by 14.5 percent to reach kWh 3,454.2m compared to kWh 3,016.7m of 2015.

The increase of power generation is attributed to the uses of gas. "Power generated from gas has increased by 52.2 percent, this situation will help production in various industries in the country," the report noted. Moreover, importation of raw materials to Tanzania industries has increased by 19.4 percent in the last six months. According to the report, increase of importation of raw materials is due to the increase of production in Tanzania industries. Also the statement indicates that tax collection in the past six months has increased compared to the same period in 2015. "This indicates that the government has so far managed to supervise the collection of tax and strengthening of the economy," reads the report. On loans from commercial banks to private sector, the report says that in the past six months a total of 1.2 trillion has been provided. Moreover, the report states that in the first three months of 2016, the gross domestic product (GDP) grew by 5.5 percent compared to 5.7 percent of the same period in 2015. Among sectors that contributed to the economic growth are agriculture (11percent), trade (10.6 percent), transportation (10.1 per cent) Finance (10.1 percent) and Communication (10 percent). Economic activities that recorded high growth were Finance (13.5 percent), Communication (13.4) and public administration (10.2 percent). *(Daily News)*

THE Dar es Salaam Stock Exchange (DSE) has registered substantial improvement in turnover after posting 1.33 per cent increment to 9.06bn/-from 3.87bn/-of the previous market session. Similarly, the market activity levels were also up with shares traded rose to 1,079,935 from last week trading session of 724,586 shares. According to the Tanzania Securities Limited weekly market commentary, the bourses experienced a huge upward swing in turnover and activities during the week, with NMB, CRDB, TBL and DSE counters being more active.

The Banking segment transacted lower volume of shares and turnover accounting for 17 per cent of the total volume traded and 1 per cent of the market value. CRDB counter was the most active on the banking segment after transacting 121,660 shares to close at a price of 290/- per share. Mkombozi Bank had 520 shares that transacted at a price of 1,000/- per share while DCB traded 482 shares at a price of 430/- per share. There were no activities on YETU, MUCOBA and MCB counters. The industrial and allied Segment moved significant volume of shares and turnover with TBL recording upward trend transactions of 588,139 shares to close at 12,990/- per share. Swissport followed with 178,990 shares to close at a price of 6,370/- per share. TOL transacted 98,491 shares with its price remaining stable at 800/- per share while Twiga counter traded 27,154 shares at 2,290/- per share. TCC transacted 1,682 shares at a price of 11,740/- per share. No activities shown on the Simba, Swala, PAL and TTP. The Tanzania Share Index (TSI) went up by 0.56 per cent to land at 3,906.73 points mainly due to gains made on the DSE counter. Similarly, the Dar es Salaam Stock Exchange All Share Index (DSEI) went up by 2.35 per cent to close at 2,445.13 points. DSE had 54,420 shares transacted at a price of 1,210 per share. NMB traded 8,397 shares to close at 2,750/- per share. The banking segment Index strengthened to settle at 2,905.81 points, which is 2.48 per cent increment from the previous week of 2,835.52 points. However, the Industrial and Allied Index went down by 0.16 per cent to 4,962.68 points from last week's 4,970.46 points. *(Daily News)*

Tanzania's economy is on track to expand by 7.2 percent in 2016, up from 7 percent in 2015, boosted by construction, an anti-corruption drive and better management of public resources, the central bank governor said on Wednesday. President John Magufuli, elected last year, has launched a campaign against corruption and government waste, and promised to improve transport links and other infrastructure. The International Monetary Fund told Tanzania in July to curb public spending, which has risen on the back of its infrastructure plans, and urged the government to implement structural reforms. "Economic growth this year will be boosted by the government's ongoing efforts to tackle corruption, strengthen the management of public resources and construction of infrastructure as part of the country's industrialisation plan," Bank of Tanzania Governor Benno Ndulu told a news conference. Ndulu also said the shilling had been steady in the first half of 2016 thanks to growing exports of goods and services and a slide in import costs, largely due to weaker global oil prices. The governor said the shilling had traded in a range of 2,180 to 2,190 to the dollar in the first six months of 2016. At 1257 GMT on Wednesday, banks quoted the shilling at 2,177. "We expect the shilling to remain stable for the rest of the year," he said, adding that inflation was expected to remain in single digits in line with the government's mid-term target of 5 percent. It was 4.9 percent in the year to August. *(Reuters)*

THE Bank of Tanzania (BoT) has said there is sufficient money in circulation to keep the economy going while attributing the tight liquidity situation to tight tax collection measures, cost cutting and crackdown on corruption by the government. BoT Governor, Professor Benno Ndulu, said in Dar es Salaam yesterday that the bank was closely monitoring money in circulation, including all transactions conducted through commercial banks. "Nationally, there is enough money in circulation to serve and implement various public projects for the interests of all the people," he pointed out; adding that what is currently being experienced is the absence of cheap money that was obtained through illicit means. He stated that the government had plugged loopholes in illicit or cheap means of getting money (popularly known as 'mission town'), which explains why the mission schemers were now crying out for money. Similarly, Prof Ndulu said although public firms have shifted their accounts from commercial banks to the BoT, the good thing was that the government entities are still using the same financial institutions to channel their funds into various projects. For example, in every 100/-; 36/- pass through commercial banks and 64/- by the people and outside the formal system. On executing the government expenditures for the first six months, the governor said there have been difficulties in obtaining foreign aid due to the world economic crunch, adding, however, that the cost cutting and tax collection measures helped to fund various projects.

Prof Ndulu said that during the period under review, foreign aid accounted for only one per cent of all revenues, loans 8 per cent while 91 per cent was sourced from domestic borrowing and revenue collection. "The ratio between national debt and revenue collection is good. For in 2015/16 revenue grew to 13.5 trillion/- compared to 9.5tri/- in 2014/15," he said, adding that the government serviced domestic debt using local currency contrary to the foreign debt that should be converted to dollars. Prof Ndulu said as of June, this year, the national debt has reached 21 billion US dollars but when computed using the present value, it will definitely go down. According to him, the debt has not reached the state that the country cannot borrow any more. He noted that currently, Tanzania uses 20/- in every 100/- of its revenue collected to pay back the debt, the level which was still low compared to the average set up of 50/- in every 100/- of revenue. "It is contrary to some reports that the national debt has reached dangerous levels," he insisted. On the construction sector, Prof Ndulu said there were positive prospects that it would bounce back after slowing down in the first quarter of 2016 due to the mega-infrastructure projects, including central railway line rehabilitation and construction of the oil pipeline to Uganda, Kurasini business centre, roads and bridges to start being implemented before the end of the year. The central bank governor pointed out that more efforts are needed to boost investment in the agriculture sector that registered 2.7 per cent growth in the first quarter compared to the negative two (2) per cent recorded in the corresponding period last year. He said many challenges remain unaddressed in the sector that remains the biggest employer in the country where over 70 per cent of the population relies on it. Prof Ndulu mentioned low investment in technology that could promote productivity, value addition for earning premium revenues in both local and foreign markets as well as reducing wastage of agricultural products during harvest period. The sector contributes 25 per cent of the Gross Domestic Product (GDP) with the six key cash crops generating less than 9 per cent of the foreign exchange earnings. For example, agriculture exports generated 850 million US dollars in the year ended in June. Several other sectors have overtaken agriculture, including tourism that generated over 2 billion US dollars, industries (1.5 billion US dollars), gold mining (1.2 billion US dollars) and transit trade (1.1 billion US dollars). *(Daily News)*

OIL major Shell is planning to start exploration drilling offshore Tanzania later this year, according to partner Ophir Energy. The US$20 million drilling program, due to start in Q4, will comprise two wells on Blocks 1 and 4 and target >1 Tcf of gas, says Ophir. Shell became operator on the blocks after taking over BG Group earlier this year. The well on Block 1 will target Kitatange, with an estimated mean recoverable volume of 1.1 Tcf. The well on Block 4 will target Bunju with an estimated 1.4 Tcf. The wells, which have been given 40 per cent chance of success, will fulfill outstanding exploration requirements on the licenses. Meanwhile, pre-front end engineering and design (FEED) is progressing on an onshore LNG plant, which would take in Blocks 1 and 4, as well as Block 2, held by Statoil and ExxonMobil. FEED is expected to start following the completion of the LNG site acquisition, the geotechnical investigations and engineering studies. Concept selection for the upstream part of the project which will determine the configuration and production rates from each of the fields. Ophir's COO Bill Higgs said: "Shell sees this as an LNG project that ranks well in their portfolio. Shell is currently looking for ways to reduce the cost structure for the LNG project." Meanwhile, Ophir has reduced the expected cost to first gas on its Equatorial Guinea Fortuna floating LNG project from $450-500 million down to US$450 million. A final investment decision is expected by year end 2016. Ophir is also planning to drill its first well in off the Ivory Coast, in deep water. The Ayame prospect is the main target, containing 240 MMboe expected recoverable resources with 80% chance of success. The firm is also considering drilling in deep water offshore Gabon, in an area seen as an emerging oil play on the west African margin. It is also looking at possibly drilling in deep water offshore Myanmar, in the Rakhine basin, in 2017. *(Daily News)*

THE state of the economy presented by Central Bank Governor, Professor Benno Ndulu, in Dar es Salaam on Wednesday has met with positive reaction from the public with analysts projecting a bright future for the country. "The economic indicators are true and there is a bright future of the country's economy," a senior lecturer from the University of Dar es Salaam, Professor Humphrey Moshi, said in the city yesterday. He, however, touted more investment in agriculture due to its central role in the economy, particularly in realising the industrialisation drive and poverty reduction. "The economy is growing but not inclusive without steady agriculture sector, the biggest employer, source of raw materials for industries and food for the people," Prof Moshi added. Similarly, he said, the government should take early measures of bad weather this season that would affect food supply and inflation next year. On dry money in the circulation, the don said BoT should work on dollarisation of the economy and put more attention on bureaux de change, some of which are conduits for money flights. He said all bureaux de change should be part of the banks for easy monitoring of their businesses as quotations on dollar impact on the value of the shilling, leading to inflation.

The Chairman of the CEO Roundtable, Mr. Ali Mufuruki, gave a thumb up to Prof Ndulu, saying the governor's explanation on the state of economy "very much met my expectations on the real situation on the ground. '' Mr. Mufuruki argued that there was a notion among the people that basing on the slump in the individual's economy; the country's economy was also in trouble, which was not right. "In fact, if there is too much circulation of money at individual level to the extent that you can't establish its sources, this isn't good sign for the country's economy," he observed. He stated that though Prof Ndulu gave an encouraging projection of economic growth to 7.2 per cent this year, there were things that the country needs to work on to achieve the target. The prominent businessman mentioned increasing agricultural production and ensuring the market of the produce and increasing output of social-economic infrastructures such as electricity, among others. An economic expert at the University of Dar es Salaam (UDSM), Dr Ellinami Minja, said: "Of course I believe what Governor Ndulu said since he based his presentation on the basis of data collected." He noted that the new economic projection now proved that what many people had initially thought - that the Fifth Phase Government has negatively affected the economy - was wrong since "generally the economy is stable.''

Prof Delphin Rwegasira of the Economics Department of the University of Dar es Salaam said he agrees with the BoT governor's assertions that people used to get cheap money that was being dished out by corrupt officials. "We now have a new government that is doing things differently because it is concentrating on development, sealing loopholes for tax evasion whereas money accrued from one side is taken to the other to boost development," he noted. Prof Haji Semboja also of the University of Dar es Salaam's Economics Department observed that BoT was an arm of the central government that uses specific indicators to determine the country's economic performance. Among them, he said, was the country's GDP, government financing deficit and balance of economy. "The policy of the government is to invest in the country's development … therefore, at the macro level, the economy is stable although at the micro level, people feel that there is low circulation of money and that is why they say the situation is tight,'' he explained. The university don added that this was the transition period pegged on top priorities put in place by the government that in the long run will bring positive results even to the private sector. "We are now going to an efficient economy differently from an economy that relied on cheap money obtained illegally,'' insisted Prof Semboja. *(Daily News)*

THE shilling has remained steady in the first half of 2016 following monetary policy initiatives taken to manage liquidity in the circulation and economic trend within and outside the country. The BoT Governor Prof Benno Ndulu said in Dar es Salaam on Wednesday that the increase of goods and services exports as well as decline of imports contributed to the steadiness of the shilling. "The decline on import bill largely due to the fall in oil prices in the world market contributed largely to improving shilling stability," he said. He said in the first six months of 2016, the local currency was trading at an average of 2,180 and 2,190 against US dollars. "The stability of the shilling in the free money market implies that stable economic policies and positive trend of foreign exchange ratio are solutions to protecting the value of the shilling against the greenback," he said. A country like South Africa with stern control of foreign exchange has seen its local currency facing fluctuation when compared to Tanzania shilling. He therefore urged that more efforts directed to create conducive investment environment in sectors which may improve foreign exchange ratio like tourism, industries, mining and agriculture. The freedom of possessing and using foreign currencies was introduced as solution to the situation of dry foreign exchange in the circulation in the 1980's. Countries which removed such freedom like Zambia suffered foreign currency disappearance. Thus, it is everyone's obligations to continue putting conducive environment of production to do away with wishful thinking of controlling money market, he said. *(Daily News)*

Zambia

Corporate News

ZESCO Limited has obtained a US$163 million loan from Standard Bank of South Africa and the Swedish Export Credit Corporation that is being used to finance the connection of all districts in North-Western Province to the national electricity grid. Only Solwezi and Kasempa are connected to the grid while Mwinilunga was commissioned last month. The rest of the province is powered by diesel generators, which is costly since Zesco spends huge sums of money in operations and maintenance of the diesel stations. According to a statement issued by the Zesco marketing and public relations department, the project to connect North-Western Province to the national electricity grid started on April 14, 2014. "This project includes the connection of Mwinilunga, Mufumbwe, Kabompo, Manyinga, Mumbezhi, Zambezi, Chavuma and Lukulu in Western Province. "The project is being implemented at a total cost of US$163 million. Financing for the project is through a loan from the Swedish Export Credit Corporation and Standard Bank of South Africa," it states. The expected completion date of the entire project is July 2017 while Mufumbwe will be connected next month and the other districts will follow. Connection of the region to the grid will see an end to power rationing and will enable the company to channel saved resources to other areas of its operations. "The connection of the province to the grid will stimulate economic growth in sectors such as agriculture, mining, manufacturing, among others. The customers will also experience improved quality of electricity supply, and the districts will experience cleaner energy and a drastic reduction in pollution both in noise and air quality," it states. *(Daily Mail)*

ZANACO and AB Bank Zambia Limited are the most expensive lenders to small medium entrepreneurs with interest rates of over 45 per cent, according to the Bank of Zambia. And the Central Bank has disclosed that Investrust Bank Plc has the highest monthly maintenance fee of K450 on current accounts. Bank of China, the major lender to mushrooming Chinese entrepreneurs, is the cheapest lender to SMEs, with interest rates of 16 per cent. In a statement showing a range of interest rates and bank charges among all 19 commercial banks in Zambia as at June 30, 2016, BoZ revealed that Zanaco and AB Bank had the highest lending rates offered to SMEs at 45.55 per cent each. While BoZ's benchmark lending rate stood at 15.5 per cent, the margins for both Zanaco and AB Bank was 30.05 per cent, the highest margin among all commercial banks.

Investrust and First Capital Bank Zambia were cited as the second and third most expensive lenders to SMEs, with their loan facilities pegged at 40 per cent and 37.5 per cent respectively, while Stanbic Bank followed closely in fourth position at 37 per cent. On the other hand, Bank of China Zambia was cited as the cheapest lender to SMEs, with their loan facilities pegged at 16 per cent, making the bank's margin above the BoZ's policy rate the narrowest at 0.5 per cent. And BoZ data revealed that Investrust has the highest monthly maintenance fee of K450 on current accounts. According to the data, the bank charges its customers K450 per month as a maintenance fee on basic type current accounts, far above the second costliest bank charge of K70 per month charged by Cavmont Bank. AB, Finance Bank, Intermarket and Zanaco are the only commercial banks who don't charge their customers a monthly maintenance fee on the basic type current account facilities. On ATM withdrawal charges, Standard Chartered and Investrust were found to be the two most expensive banks, charging their customers K8 per withdrawal at the banks' own ATMs, while on other banks' ATMs, Investrust has their fee hiked to K15 per withdrawal. *(Post Zambia)*

Economic News

Zambia's kwacha firming 1.14 percent to 10.0000 per dollar on Monday, reversing early trade losses, driven by low volume trade that analysts said exaggerated moves for the currency of Africa's second-biggest copper producer. "Trade volumes are quite thin and what you are seeing is a mistiming between buyers and sellers, so things can change very quickly," said a trader in the capital Lusaka. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

AROUND 1.5 million Zambians are surviving on between $2 and $5 (about K20 and K50) per day, translating to about 11 per cent of the population living in poverty, says Financial Sector Deepening Zambia. And FSDZ research data has revealed that a genuine middle-class is struggling to emerge in Zambia due to lack of credit facilities available for ordinary citizens. According to new research published by the Financial Sector Deepening Africa (FSD Africa), 1.5 million Zambians were defined as living on "the cusp", a term referring to Africans living on the borderline between poverty and the middle-class, roughly on US$2 to US$5 per day, just above the poverty line. "According to the report, a new class of consumers referred to as the 'Cusp Group' is emerging in sub-Saharan Africa. This group accounts for 23 per cent of sub-Saharan Africa's population, covering a segment of active earners that straddle the formal and informal worlds and get by on $2-$5 per day," FSDZ stated in a press release issued in Lusaka. "In Zambia, the research reveals that 1.5 million Zambians are living on the cusp. That accounts for 11 per cent of the total Zambian population." And the research revealed that a genuine middle-class is struggling to emerge in Zambia as well as other sub-Saharan African countries due to a lack of credit facilities available for ordinary citizens.

"The report concludes that policymakers and donors must play a more active role in enabling credit markets to open up in a positive way. Then borrowers can seize a once-in-a-generation opportunity to leverage financial markets for upward mobility," it stated. "For this ['Cusp'] group, strong credit markets could create more opportunities and enable upward mobility, helping to build a true middle-class. However, for this to happen, credit needs to expand in healthy ways." And commenting on the report's findings, FSDZ chief executive Betty Wilkinson said the deepening of credit facilities in Zambia remained crucial. "In our market, it is crucial to deepen credit services across the board. Financial institutions need to be innovative, and broaden their approaches to collateral, repayment arrangements, and credit analysis. Better credit products will help cuspers grow their incomes and small businesses responsibly," said Wilkinson. FSDZ is a development organisation that seeks to expand and deepen the financial market throughout Zambia. FSD Africa is a non-profit company, funded by the UK's Department for International Development (DfID), which promotes financial sector development across sub-Saharan Africa. *(Post Zambia)*

Zambian President Edgar Lungu said on Tuesday after being sworn in for a new five-year term that he would focus on unlocking agricultural potential in his tropical nation to reduce its dependence on copper mining. Zambia's Supreme Court on Monday rejected an application by the main opposition party to stop President Lungu's inauguration after last month's contested election. Lungu said Zambians should put the divisive elections behind them and work as one to develop the country. "Elections have the ability to bring out the most selfish aspects of our humanity. On my part I have learnt that there is no time and latitude to settle scores," Lungu said in his inaugural speech at the National Heroes Stadium. "We must promote agriculture to become one of the main drivers of our diversification programme," he said. Lungu's inauguration after the Aug. 11 election was postponed because opposition leader Hakainde Hichilema challenged the result in court, saying the vote was rigged. A law introduced in January says the winner of a presidential vote cannot be sworn in if their victory is contested in court. On Friday the Lusaka High Court threw out an attempt by Opposition United Party for National Development (UPND) leader Hichilema to overturn a Constitutional Court decision not to give him more time to legally challenge Lungu's re-election. Prospects for resuming critical budget support talks with the International Monetary Fund have been dimmed by delays in swearing in a new head of state. Lungu has been the head of the ruling Patriotic Front since its leader, Michael Sata, died in 2014. He won the presidency the following year, defeating Hichilema in their first electoral confrontation. Zambia's economy has been hard hit by depressed copper prices but diversifying into agriculture presents a number of difficulties. Zambian agriculture is focused on the staple maize and is mostly produced by subsistence farmers who lack the capital and technology to lift yields. *(Reuters)*

Zambia must be prepared to endure economic pain before any gains are felt from an International Monetary Fund (IMF) aid programme, Finance Minister Felix Mutati said on Thursday. Zambia and the IMF started talks about an aid package in March after agreeing that the budget deficit was unsustainable due to the impact on government revenues of the depressed price of copper, its main export. "We must be able to sacrifice," Mutati told reporters in response to a question about the IMF programme. "It will be very painful. We have to endure pain in order to make progress."*(Reuters)*

Zimbabwe

Corporate News

Sino-Zimbabwe Cement Company (SZCC) has engaged government to have title deeds for Indiva Farm, where it is located, to be transferred to the company. The cement manufacturer which began operations in 2001 is a joint venture between the Industrial Development Corporation which has a 35 percent stake on behalf of the Zimbabwean government while the balance is owned by the Chinese government through the China Building Materials Corporation (CBMC). At the inception of the firm, CBMC provided capital while IDC provided land but title deeds were never transferred to the firm. Indiva Farm is still regarded as state land and SZCC says it is failing to access lines of credit to due the absence of collateral demanded by lending institutions. "We have been on this piece of land for the past two decades but up to now we are still to get title deeds. We have engaged the Minister of Industry and Commerce (Mike Bimha) who has promised us that the issue will be tabled before Cabinet," said managing director, Wang Yong. "Without title deeds there is nothing we can do to get lines of credit to invest in the business hence we have been solely relying on our shareholders for funding. We also intend to rope in other investors to come on board to set up an industrial park but the issue of title deeds is the major stumbling block since there is no security of tenure." The industrial park will include a $50 million brick and tile plant, but construction has been delayed after the principal shareholders failed to raise $20 million for the first phase of the project which was supposed to start early this year. *(The Source)*

OLIVINE Industries, a fast moving consumer goods producer, will invest US$15 million in its margarine processing technology and a soap plant, which is expected to boost output, it has been learnt. Peter Madara, the company's board chairman, told the Financial Gazette's Companies & Markets last week that the investment would be spread over the next three years. It is understood that part of the funding for the two plants will be from internal resources, while the other part will be provided by Singapore-based shareholder, Wilmar International, which controls a 49 percent stake in the company. The Asian giant, which also has interests in Chitungwiza-based Surface Investments, promised to inject about US$32 million into Olivine after its takeover of the 49 percent stake. The planned investment, Madara said, is expected to improve the availability of Buttercup margarine and several soap brands. "Olivine re-started local manufacture of Buttercup margarine in June 2016 after upgrading its margarine plant during the first half of this year," said Madara. "The wholesale and retail markets are now well supplied with this local product. Further investments in margarine processing technology will be made in phases over the next three years. "Olivine is currently investing in a laundry soap plant. The first consignment of this plant was delivered in June 2016, the second is on the way and the last consignment is expected by November 2016. "This should enable plant assembly and commissioning during December 2016 and full throttle production in 2017. The above investments will cost US$15 million when completed. "The source of the funds would be from retentions and part of it will be from our shareholders (Wilmar International). We will sit down soon to see how we can share this."

Wilmar, which acquired a stake in Olivine last year, pledged to extend a bailout to Olivine, a situation which could see growth for the company in the Southern Africa market. Its culinary cooking oil products are already stocked in major retailers in South Africa like Shoprite, Pick'n Pay, Spar and Massmart. Like other local manufacturers, Olivine was being hampered by old equipment, some of it dating back to 1947, which saw the firm losing a considerable market share to other brands. It is operating at below 50 percent capacity utilisation. Shortages of raw materials mainly soya beans and cotton seed, a liquidity crunch and stiff competition from imported products have affected the company's viability over the years. The company has been in operation for more than 80 years now after having been established in 1931. It had grown to become a leading manufacturer of a wide range of consumer and industrial products such as vegetable oils, margarines, soaps, dried beans and canned foods. Apart from that the company also produces bakers' fats, candles, soya meal and cotton seed meal. Its other established brands are Perfection and Dolphin laundry soaps. Olivine's subsidiary, Chegutu Canners manufactures canned beans, tomato and fruit products. *(Financial Gazette)*

A BOTSWANA-DOMICILED private equity firm, Capital Seven, is set to acquire 75% shareholding in the financial services group, Trust Holdings Limited (THL) in a deal that will dilute existing shareholders. The offer by the equity firm was endorsed by THL's shareholders at

an extraordinary general meeting (EGM) in Harare yesterday. The transaction is subject to valuation, which will be done on the group's assets. The EGM heard yesterday that Capital Seven would inject $12,5 million into THL, effectively diluting current shareholders to 25%. This will earn the investor 60% of THL. The investor has also agreed to meet related costs of the transaction.
The costs include legal, valuation and publicity, among others, which will earn them an extra 15%. Capital Seven has already started paying for some of the costs in good faith, THL chief executive officer William Nyemba told shareholders. Nyemba said at the end of the transaction, part of the $12,5m would be used to pay off THL's minorities or shareholders, who want to opt out completely. He said a board resolution had already been passed blessing the proposal by Capital Seven. Capital Seven's investors were mainly from the Far East. Nyemba said the transaction would safeguard THL's assets. THL's prime asset, Trust Banking Corporation, is currently under liquidation and some of its assets were auctioned to pay off creditors. He said the Botswana-domiciled firm had initially wanted to acquire the group for $25 million, but later revised the offer to $12,5 million after the bank was closed. Nyemba said Capital Seven had also bought into THL's idea of venturing into merchant banking. "The investor is keen on merchant banking and property development. We are looking forward to working with them to develop these two areas," he said. *(News Day)*

PRETORIA Portland Cement (PPC) Zimbabwe says its $75 million plant in Harare, expected to produce more than 680 000 tonnes of cement annually, is almost complete, with commissioning scheduled for year-end. In emailed responses to NewsDay, PPC Zimbabwe managing director Kelibone Masiyane said all was set for the massive project to roar into life by the end of the year. "The Harare Msasa project is at an advanced stage, with commissioning already in progress and plant handover is on schedule for year-end," he said. Masiyane said the plant would boost the company's production in the near future. "The new plant in Harare creates opportunities for growth going into the future and this expanded factory-footprint presents us with exciting possibilities." Commenting on the company's performance in the first-half of the year, Masiyane said the business was depressed compared to last year. "While positive in the circumstances, overall performance has declined slightly compared to last year. This decrease can be mainly ascribed to the impact of selling price pressures together with the lower sales volumes," he said. The PPC boss, however, said good cost control measures had led to impressive declines in production costs and overheads. In its reviewed provisional results for the six-month period ended March 31 2016, the South African-headquartered company said local selling prices for its cement went down 3%. It said volumes, including exports, at its Zimbabwean unit went down 22% in the first half of the year due to liquidity challenges, increased local competition and lower disposable income. The company has cement manufacturing plants at Cementside in Bulawayo and Colleen Bawn in Matabeleland South. Its Bulawayo plant produced around 600 000 tonnes of cement in 2014, while operating at 75% of installed capacity. Apart from South Africa and Zimbabwe, PPC also has units in Botswana, Ethiopia and Rwanda. *(News Day)*

Economic News

Reserve Bank of Zimbabwe governor, John Mangudya says Zimbabwe has a proven reserve profile of between 15 million and 20 million tonnes of gold but has so far mined 580 tonnes because of the high costs involved. The central bank chief, who met members of the small-scale miners association in Zvishavane on Friday, said among the problems affecting the production of gold in the country were high costs of production. He said his monetary policy statement due this week would look into the problems affecting small scale gold miners and improve market confidence. "We have 15-20 million tonnes of gold reserves in this country," Mangudya said during the meeting. "But these are yet to be fully explored. To date, we have so far mined 580 tonnes only. These proven reserves are yet to be mined. We have a problem in this country because of production costs are so high." Commenting on macroeconomic developments, Mangudya said the fiscal space was narrow, which resulted in government failing to raise funding to finance its programmes. Finance minister, Patrick Chinamasa said government had spent 97 percent of revenue on salaries in the first six months of the year. "We have a balance of payments deficit and this creates problems. We also have a narrow fiscal space, since most of the money (revenues into government) goes towards salaries and wages. Production is dependent on good investment climate," said Mangudya. *(The Source)*

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ZIMBABWE platinum production is estimated to fall 22% to 105 000 ounces (oz) for the second quarter of 2016, compared to the previous quarter, signalling a return to normal output levels, the World Platinum Investment Council (WPIC) has said. In the first quarter, output was 135 000 oz. According to a WPIC report, worldwide mining supply in the second quarter increased by 22% quarter-on-quarter to 1 695 000 oz. In the period under review, refined production rose by 30% to 1 615 000 oz, while inventory sales are estimated at 80 000 oz for the quarter, compared to 150 000 oz in the first quarter 2016. The reports showed that South African refined production was 53% higher in second quarter at 1 175 000 oz as most of the backlogged material was processed after the removal of a Section 54 stoppage at a refinery in the first quarter. In the period under review, total mining supply was up 10% year-on-year, with refined production 5% higher. For the six months to June, refined production fell by 1% year-on-year overall, and was 6% lower in South Africa owing to safety related stoppages at operations and a refinery. "The unfortunate increase in fatalities in South African platinum mines in the first quarter of 2016 compared to the same period in 2015, occurred primarily over 80% at Western Limb operations, which account for 75% of South African supply. The associated safety stoppages in first quarter of 2016 reduced production from the Western Limb by 4% year-on-year to 1 470 000 oz," reads the report. Zimbabwe holds the second largest known reserves of platinum after South Africa, but mines have struggled with low prices, a black empowerment law forcing mines to sell more than 50% of the business to locals and power shortages. According to the mid-term fiscal policy review statement, Finance minister Patrick Chinamasa said platinum prices remained depressed and, hence, the increase in platinum revenues from $185 million to $396 million in the first half of 2016 was on account of output gains which were at 7,968 tonnes in the first 6 months of 2016, up from 4,919 tonnes registered during the comparable period in 2015. Chinamasa said the deferment of the 15% export tax on un-beneficiated platinum to January 2017 also supported platinum production, especially under an environment where platinum prices of $958 per ounce were 18% lower than $1 161 recorded in the same period in 2015. *(News Day)*

INTERNATIONAL banks are terminating working relations with their local counterparts, in a move that will affect the importation of cash and payments to foreign suppliers. In his mid-term fiscal review of the half year Finance minister Patrick Chinamasa said last year there was an ongoing trend whereby international correspondent banks were terminating banking relations with financial institutions in the Eastern and Southern Africa Anti Money Laundering Group (ESAAMLG) member states including Zimbabwe. "……this is a worrying trend as it undermines global payments systems thereby hindering free flow of international trade and financial transactions. It is a matter that ESAAMLG member states are going to take it up with a view to restoring international correspondent bank relationships," he said. Local banks have partnerships with international banks, which were used for foreign payments by customers wanting to buy products outside the country. Sources said the move will result in banks, making direct cash payments to foreign banks, which means banks will lose income and there was a risk for customers when they move around with huge amounts of cash to foreign countries for payments. "Banks will also have challenges in importing cash when the correspondent banks terminate relationship, with the local banks," the source said. The identities of banks affected could not be established yesterday. But the source said affected banks will not disclose their fate fearing losing business to competitors. Early this year, Commerzbank terminated its contract with local banks. The German bank was correspondent institution for local banks such as NMB, which had to look for another correspondent bank.

The exit of Commerzbank came after Barclays Plc was fined $2,5 million by the US Treasury Department for processing transactions of individuals, companies and related parties on the US sanctions list. This came after Barclays had assisted the government-owned Industrial Development Corporation to process transactions in the period 2008 to 2013. "Barclays processed 159 transactions totalling $3 375 617 to or through financial institutions located in the United States — including Barclays' New York branch — for or on behalf of corporate customers of Barclays Bank of Zimbabwe Limited that were owned 50% or more, directly or indirectly, by a person identified on OFAC's List of Specially Designated Nationals and Blocked Persons," the US Department of Treasury said. The country has a high import bill as most products were not procured locally due to the underperforming manufacturing sector. Zimbabwe has been facing cash challenges since February this year due to low exports forcing the depletion of money in the nostro accounts. The central bank attributed the cash crisis to low exports, the increased usage of the dollar due to the depreciation of the South African rand. The Reserve Bank of Zimbabwe has responded to the cash crisis through advocating the use of plastic money, drawing up an import priority list and is set to introduce bond notes next month under a $200 million export incentive facility guaranteed by the African Export-Import Bank. *(News Day)*

Life assurance companies recorded a 12% growth in net premiums to $173 million in the six months to June 30 fed by fund business and group life assurance income streams. In the comparable period last year, life assurers wrote $154 million in net premiums. According to a report by the Insurance and Pensions Commission (Ipec), business continued to be concentrated around the three biggest insurers — Old Mutual, Nyaradzo and FML — who wrote $144 million or 83% of net premium written. The report said fund business, funeral, group life assurance and other policies constituted 88% of gross written business down from 89% in the same period last year. "This suggests weak financial capacity and awareness of other product lines. The spectrum of products continued to be traditional middle -to-top class products which may not be readily affordable to the general policyholder especially the informal traders," Ipec said. "We continue to view the informal sector as largely unserved and as such continue to encourage product innovation biased towards this sector." For the half year ended June 30 2016, life companies paid $100 million in net claims (June 2015: $66 million), a 47% year- on- year growth rate compared to a 13% growth in premium income streams. Ipec said operational costs accounted for 21% or $29 million of total costs (June 2015: 29%), claims were 73% or $100 million (June 2015: 64% or $67 million) whilst commission costs made up the balance of 6% or $8 million (June 2015:7% or $7 million). Resultantly, the combined ratio spiked from 69% in 2015 to the current 78% mainly due to the ballooning claims bill," Ipec said. *(News Day)*

Zimbabwe will introduce bond notes, a token currency which will circulate within a basket of multiple currencies, at the end of October with $75 million worth of the notes expected to be in issue by the end of the year, the central bank governor announced on Thursday. Presenting his mid-term monetary policy statement in Harare, John Mangudya said the bank would be going ahead with the policy despite strong criticism from the public. Announcement of the plans to introduce the notes — described by President Robert Mugabe as a surrogate currency — were met with stiff resistance, sparking demonstrations and panic withdrawals. Former Vice-President Joice Mujuru has even taken the government to court, arguing that it "cannot introduce a bond note and cause it to masquerade as a form of currency. The law has only two options; either the Zimbabwean dollar or foreign currencies." But Mangudya insisted that the move was necessary to deal with a shortage of bank notes blamed on a widening trade gap and the smuggling out of physical US dollars, Zimbabwe's adopted currency since it dumped its inflation-ravaged currency in 2009. "You do not stop a good policy because a group of people does not like them," he said. "The Bank has heard and taken note of the public's concerns, fear, anxiety and scepticism of bond notes which all boils down to the general lack of trust and confidence within the economy. The Bank is addressing the concerns by planning to introduce smaller denominations of bond notes of $2 and $5." Mangudya said the bond notes will only be issued as an incentive to exporters.

Between May and September, exporters have earned $56 million in incentives, which will be paid out in the form of the token currency, central bank data shows. "The bond notes will be gradually released into the economy in sympathy with export receipts through normal banking channels up to a maximum ceiling of the facility of $200 million. The ceiling would be attained when total exports are around $6 billion," said Mangudya. "At the rate at which the country is exporting we anticipate that bond notes equivalent to around $75 million will be in the market by the end of December 2016." Mangudya reiterated that the introduction of the bond notes did not mark the return of a much-loathed local currency by stealth. He added that the central bank was pushing for the setting up of an independent board to oversee the issuance of the notes, to allay fears of money printing beyond the $200 million backed by an AfreximBank facility. In a bid to attract remittances which have been a key source of liquidity at a time foreign direct investment (FDI) to the cash strapped economy has been on the decline, Mangudya said the central bank would extend its export incentive to diaspora remittances. "In view of the critical role of diaspora remittances in the economy and in order to enhance the remittance of such funds, the Bank shall be extending the export incentive scheme at a level of between 2.5-5 percent to diaspora remittances including any form of private unrequited transfers on funds remitted to Zimbabwe through normal banking channels with effect from 1st October 2016." In the half year period Zimbabwe diaspora remittances amounted to $397 million, 13 percent lower than in the same period of 2015. FDI, which dropped 23 percent to $421 million in 2015, is seen further declining, the central bank said. To enhance the ease of securing offshore lines of credit, the central bank increased the threshold of external loans that do not need prior Exchange Control approval to $20 million. "With immediate effect we are increasing the limit of those loans that do not require central bank approval from $10 million to $20 million so that corporates and banks can organize credit without coming to the central bank and just advise the bank after contracting the loans."

The governor said the central bank had also secured a $215 million facility to stabilize depleting offshore accounts. "In order to deal with the current delays in the processing of outgoing foreign payments by banks the Bank has managed to secure facilities in an amount of $215 million from international finance institutions to deal with the outgoing foreign payments backlog. In addition, negotiations are at an advanced stage to raise $330 million from regional sources to enhance production and improve the liquidity situation in the country."Mangudya said the banking sector had remained profitable, recording an aggregate net profit of $68 million for the period ended 30 June 2016, from $34 million in the corresponding period in 2015. Seventeen out of eighteen operating banking institutions recorded profits during the period ended 30 June 2016. During the six months to June total banking sector deposits increased by 5.2 percent to $5.9 billion from $5.6 billion as at 31 December 2015 while loans and advances declined from $4 billion as at 30 June 2015 to $3.7 billion as a result of cautious and prudent lending by the banks. As at 30 June ZAMCO a company established to buy bad loans by government had taken up $528.4 million worth of taken up NPL. The industry average of NPLs has improved marginally to 10.05 percent as at 30 June 2016, from 10.82 percent as at 31 December 2015. Thirteen of the country's 19 banking institutions have met the June 2016 target of a 10 percent bad loan ratio while 5 others are already within the December 2016 target of 5 percent. Mangudya said the uptake of electronic payment systems has been satisfactory, with total electronic payments having increased from $4.1 billion in January 2016 to $5.5 billion in July 2016. *(The Source)*

Zimbabwe's year on year inflation gained 0.18 percentage points in August to -1.43 percent, the national statistics agency said on Thursday. On a monthly basis, the inflation rate stood at -0.13 percent gaining 0.06 percentage points on July rate of -0.19 percent, Zimstat said. *(The Source)*

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